

Message Text

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C O N F I D E N T I A L BELGRADE 6790

EO 11652: GDS

TAGS: BEXP YO US PFOR

SUBJ: USG PARTICIPATION IN ZAGREB INTERNATIONAL FAIR

REF: (A) 75 BELGRADE 6003, (B) ZAGREB 643

1. SUMMARY. THE MISSION HAS REVIEWED USIA AND DEPARTMENT OF COMMERCE PLANS IN THEIR COUNTRY PROGRAMS FOR YUGOSLAVIA TO STAGE AN AGENCY EXHIBIT WITH COMMERCE PARTICIPATION AT THE 1977 ZAGREB FALL FAIR. THE DECISION TO PARTICIPATE REMAINS VALID. POLITICAL CONSIDERATIONS WARRANT PARTICIPATION, AND THE THEME CAN PROVIDE COMMERCIAL SPINOFF. ACTION REQUESTED: AUTHORIZATION TO RESERVE SPACE. END SUMMARY.

2. LAST AUTUMN THIS MISSION CONSIDERED THOROUGHLY WHETHER OR NOT THE USG SHOULD PARTICIPATE IN THE ZAGREB FALL FAIR AFTER 1976. SINCE THE CONTRACTUAL ARRANGEMENT WITH THE FAIR WAS EXPIRING IN 1976, THE STUDY, TO WHICH ALL APPROPRIATE MISSION ELEMENTS HERE AND AT ZAGREB CONTRIBUTED, WAS UNFETTERED BY ANY FEELING THAT THE USG MUST PARTICIPATE. IF ANY PRIOR BIAS EXISTED, IN FACT, IT WAS AGAINST PARTICIPATION. AFTER ANALYSIS OF NUMEROUS OPTIONS, IT WAS DETERMINED THAT A RESPECTABLE BUT NOT OVERWHELMING USG PRESENCE WOULD BE NEEDED AT THE FAIR FOR POLITICAL REASONS (REF A).

3. WHILE WE HAVE RECEIVED NO RESPONSE TO REF A, THE USIA COUNTRY PLAN PROPOSED AN EXHIBIT FOR THE 1977 FALL FAIR. PAO HAS BEEN INFORMED INFORMALLY THAT USIA/IEU IS AGAINST PARTICIPATION. THEREFORE, THE MISSION HAS REVIEWED THE

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QUESTION TO ENSURE THAT NEITHER PERSONNEL NOR MONEY BE

COMMITTED TO ANY PROGRAM, INCLUDING THE FALL FAIR, THAT IS NOT JUSTIFIED.

4. THE MISSION'S REVIEW CONFIRMS THAT THE CONCEPT OF USG PARTICIPATION REMAINS ENTIRELY VALID. THE IMPORTANCE OF PARTICIPATION HAS INCREASED, IN FACT, DUE TO ATTEMPTS IN SOME YUGOSLAV CIRCLES TO LIMIT OR SET RESTRICTIVE CONDITIONS ON RELATIONS WITH THE WEST.

5. IF THOUGHTFULLY PRESENTED, THE USG PRESENCE AT THE FAIR WILL SUPPORT THOSE YUGOSLAVS WHO STILL CONTEND THAT FOREIGN RELATIONS UNDER CIRCUMSTANCES PALATABLE TO WESTERN INSTITUTIONS AND BUSINESSES ALSO HOLD ADVANTAGE FOR YUGOSLAVIA. THIS POINT OF VIEW EXISTS AROUND ZAGREB, BUT IS BEING CHALLENGED. IT IS NO FLUKE THAT THE TWO LARGEST U.S. PROJECTS IN THIS COUNTRY, THE KRSKO NUCLEAR POWER DEVELOPMENT AND THE DOW-INA JOINT VENTURE ARE LOCATED IN THE ZAGREB AREA. NOR WAS IT A COINCIDENCE THAT YUGOSLAVIA'S MOST LIBERAL JOURNAL WAS PUBLISHED IN ZAGREB, ALTHOUGH IT WAS SUPPRESSED LAST YEAR.

6. THE OUTCOME OF THE DEBATE OVER WHAT KIND OF TACTICS TO HAVE WITH THE WEST WILL OBVIOUSLY BE IMPORTANT TO THE U.S. FOR EXAMPLE WE SEEK AN INVESTMENT CLIMATE ACCEPTABLE TO U.S. FIRMS AS MUCH FOR POLITICAL AS FOR COMMERCIAL EFFECT. IN THIS ENVIRONMENT A USIA EXHIBIT WOULD HAVE POSITIVE EFFECT; CONVERSELY IT IS APPROPRIATE THAT THE USG WOULD NOT LEAVE THE FOREIGN SECTION OF THE 1977 FALL FAIR TO DOMINATION BY SOVIET AND NORTH KOREAN PROPAGANDA. (OUR PRESENCE THIS YEAR GAVE US LEVERAGE TO STOP LATTER FROM ATTACKS IN THEIR EXHIBITS ON U.S. - SEE ZAGREB 735 AND 793.)

7. THIS MISSION ALSO CONFIRMS THAT DEPARTMENT OF COMMERCE PARTICIPATION REMAINS JUSTIFIED IN 1977, AS PLANNED IN THE COUNTRY COMMERCIAL PROGRAM FOR YUGOSLAVIA. COMMERCIAL PARTICIPATION WILL BE CONSISTENT WITH THE EVALUATION OF LAST AUTUMN. THE MISSION'S ANALYSIS CONFIRMED THAT, WHILE REGULAR PARTICIPATION WOULD OFFER MARGINAL COMMERCIAL PROSPECTS, IT COULD PROVIDE WORTHWHILE SPINOFF WHEN THE THEME FIT WITH A COMMERCIAL CAMPAIGN, DESERVED PROMOTION IN AN EXHIBIT, AND COULD NOT BE FEATURED

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APPROPRIATELY IN ANY VERTICALLY STRUCTURED YUGOSLAV FAIR.

8. THE THEME "ENERGY SYSTEMS" SELECTED FOR THE 1977 FAIR IS AN EXPORT PROMOTION CAMPAIGN IN THE COUNTRY COMMERCIAL PROGRAM. NO VERTUCAL YUGOSLAV EXHIBIT EXISTS. THUS, WHILE THE MISSION DECLINED DEPT OF COMMERCE PARTICIPATION IN THE FALL FAIR THIS YEAR BECAUSE THE THEME WAS UNSUITABLE, USIA'S EXHIBIT IN 1977 WOULD MEET THE CRITERIA AND PROVIDE A COMMERCIAL PRO-

MOTIONAL OPPORTUNITY SEIMILARTO 1975. THE USIA "PHOTOGRAPHY USA" EXHIBIT IN 1975 CREATED THE OPPORTUNITY FOR -- AND STRENGTHENED -- AN ACCOMPANYING DEPT OF COMMERCE CATALOG SHOW ON PRINTING AND GRAPHIC ARTS EQUIPMENT. PROMOTED WITH THE USIA EXHIBIT, THE CATALOG SHOW OBTAINED DECENT RESULTS, ALTHOUGH IT COULD HAVE BEEN LOST BY ITSELF IN EITHER THE FALL FAIR OR A SPECIALIZED FAIR.

9. IT IS NOW TIME TO RESERVE A PLACE FOR THE 1977 EXHIBIT. SPACE IS IN SHORT SUPPLY AND THE FAIR ASKED ABOUT OUR INTENTIONS IN AUGUST (REF B) AND AGAIN DURING THIS YEAR'S FALL FAIR.

10. THE BEST RESPONSE TO THE FAIR PROBABLY WOULD BE AN ATTEMPT TO NEGOTIATE A "RIGHT OF FIRST REFUSAL" ARRANGEMENT, AS THE MISSION RECOMMENDED LAST AUTUMN, ON 600-700 SQUARE METERS, TO INCLUDE THE USIA AND COMMERCE DISPLAYS, AISLES AND SERVICE AREA) NOT TO EXCEED \$20 PER SQUARE METER. AN ALTERNATIVE WOULD BE TO REQUEST EXTENSION OF THE JUST-EXPIRED PAVILION CONTRACT ON THE SWVK TERMS; OTHER GOOD SPACE MAY BE HARD TO GET AND, ALTHOUGH THE PAVILION IS LARGER THAN THE PLANNED 1977 EXHIBIT, ITS COST HAS BEEN ROUGHLY EQUIVALENT TO 600-700 METERS ELSEWHERE. SINCE THE FAIR AUTHORITIES ARE UNLIKELY TO GRANT A HANDOUT, HOWEVER, THE MISSION SHOULD BE AUTHORIZED AS FALLBACK TO OBTAIN SPACE AT PRESENT STANDARD RATE OF \$30 PER SQUARE METER.

11. FOR MAXIMUM COST BENEFIT, THE EXHIBIT SHOULD BE FABRICATED FOR UTILIZATION IN OTHER CITIES AFTER ZAGREB FAIR. THOUGH IT NEED NOT BE MASSIVE, IT SHOULD BE WORTHY OF THE USG WITH CONTENT MORE SUBSTANTIVE AND RELEVANT THAN THIS YEAR'S SATELLITE DISPLAY. SILBERMAN

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